

PUBLIC DISCLOSURE

March 10, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Equitable Bank
06121102

Fort Lauderdale, Florida

Federal Reserve Bank of Atlanta
104 Marietta Street, N.W.
Atlanta, Georgia 30303

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| <p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to the institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.</p> |
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its

authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Equitable Bank prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of March 10, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The bank's head office was moved from North Miami Beach in Dade County to Fort Lauderdale in Broward County on October 28, 1996. The move prompted management to intensify its efforts to increase loan penetration in Broward County. Also, management recently added 15- and 30-year residential mortgage loans to the bank's loan products. These measures should help generate additional loan demand and increase the loan-to-deposit ratio, which is currently considered reasonable. A reasonable percentage of consumer and business loans were made inside the bank's assessment area. Most loans outside the bank's service area were generated through social, civic, and business contacts made by three loan officers who reside or formerly worked in communities located outside the bank's assessment area. The distribution of loans to businesses and individual borrowers by levels of income and geography meet satisfactory standards. The bank has received no CRA-related complaints.

GENERAL INFORMATION (CONTINUED)

The following table indicates the performance level of Equitable Bank with respect to each of the five performance criteria.

| SMALL INSTITUTION ASSESSMENT CRITERIA | <u>EQUITABLE BANK</u> | | |
|---|---|--|---|
| | PERFORMANCE LEVELS | | |
| | Exceeds Standards for Satisfactory Performance | Meets Standards for Satisfactory Performance | Does Not Meet Standards for Satisfactory Performance |
| Loan-to-deposit ratio | | X | |
| Lending in assessment area | | X | |
| Lending to borrowers of different incomes and to businesses of different sizes | | X | |
| Geographic distribution of loans | | X | |
| Response to complaints | No complaints were received since the previous examination. | | |

DESCRIPTION OF INSTITUTION

Equitable Bank is headquartered in Fort Lauderdale, Broward County, Florida, and has two branches. The head office was relocated from North Miami Beach in Dade County to Fort Lauderdale in Broward County on October 28, 1996, in an effort to increase loan penetration in Broward County. The Plantation branch, which opened on November 21, 1994, is located in an upper-income area of Broward County. The North Miami Beach branch is located in a moderate-income census tract, and the head office in Fort Lauderdale is in a low-income census tract. Total assets reported on the December 31, 1996 Consolidated Reports of Condition and Income were \$65.3 million.

The composition of the loan portfolio according to the December 31, 1996 Uniform Bank Performance Report is as follows:

| LOAN TYPE | PERCENTAGE |
|--|-------------------|
| Construction and development | 1.0% |
| Secured by one- to four-family dwellings | 13.4% |
| Other real estate: | |
| Multifamily | 3.7% |
| Nonfarm nonresidential | 45.1% |
| Commercial and industrial | 30.0% |
| Loans to individuals | 6.3% |
| All other | 0.5% |
| Total | 100.0% |

As indicated in the above table, the bank offers a variety of residential, business, and consumer loan products. Loans secured by one- to four-family dwellings represent 13.4 percent of the loan portfolio;

DESCRIPTION OF INSTITUTION (CONTINUED)

however, only 13 loans reportable under the Home Mortgage Disclosure Act (HMDA) were made during 1996. The demand for residential loans has been minimal because the only type of residential loan product offered was a loan with a five-year term, amortized over 25 years with a balloon payment. To become more competitive, the bank recently added residential loans having 15- and 30-year maturities. Consistent with the bank's historic lending strategy, the largest percentage of the loan portfolio consists of nonresidential real estate and commercial loans, many of them secured by one- to four-family dwellings. These types of credits correspond to the loan demand of the small businesses located in the bank's service area.

DESCRIPTION OF ASSESSMENT AREA

Equitable Bank's assessment area is the eastern portion of Broward County and northeast Dade County. The assessment area consists of 193 census tracts in the Miami - Hialeah (Dade County) and the Ft. Lauderdale (Broward County) metropolitan statistical areas (MSAs). The bank's assessment area has a total population of 1.5 million and 619,408 households. The assessment area includes 11 low-income tracts, 35 moderate-income tracts, 99 middle-income tracts, and 48 upper-income tracts.

The four income levels used for the analysis were defined by the regulation using the following percentages of the median family income of the MSA:

| INCOME LEVEL | PERCENTAGE OF MEDIAN FAMILY INCOME |
|---------------------|---|
| Low-income | Less than 50% |
| Moderate-income | 50% to 79% |
| Middle-income | 80% to 119% |
| Upper-income | 120% and over |

DESCRIPTION OF ASSESSMENT AREA (CONTINUED)

As indicated in the table below, upper-income families constitute the greatest percentage of families in the bank's assessment area. The distribution of families in the assessment area by income level mirrors the distribution of families in the state of Florida.

DISTRIBUTION OF FAMILIES BY INCOME LEVEL

| LEVEL OF INCOME | ASSESSMENT AREA | | STATE OF FLORIDA | |
|------------------------|---------------------------|-----------------------------------|---------------------------|-----------------------------------|
| | NUMBER OF FAMILIES | PERCENTAGE BY INCOME LEVEL | NUMBER OF FAMILIES | PERCENTAGE BY INCOME LEVEL |
| Low-income | 77,437 | 19.7 | 677,883 | 19.1 |
| Moderate-income | 71,405 | 18.2 | 665,313 | 18.8 |
| Middle-income | 87,397 | 22.2 | 804,174 | 22.7 |
| Upper-income | 157,040 | 39.9 | 1,393,954 | 39.4 |
| Total | 393,279 | 100.0 | 3,541,324 | 100.0 |

The median household income for the assessment area is generally higher than it is for the MSA and the state. The 1990 median household income in the assessment area was \$30,008, compared to \$27,483 for the state and \$28,503 for the Dade County and Broward County MSAs combined. According to information reported by the U.S. Bureau of Labor Statistics (BLS), the (not seasonally adjusted) unemployment rates as of October 1996 were 5.1 percent for Broward County, 7.4 percent for Dade County, and 5.2 percent for the entire state of Florida.

The median housing value is also higher in the bank's assessment area than in the state and the combined MSAs. The median housing value in the bank's assessment area was \$91,407 compared to \$76,486 for the state and \$88,263 for the combined MSAs. Rents were also higher in the bank's assessment area. Within the assessment area, the gross median rent equaled \$565 compared to \$481 for the state and \$524

DESCRIPTION OF ASSESSMENT AREA (CONTINUED)

for the combined MSAs. Although rents and housing values in the assessment area are higher, the percentage of households paying greater than 30 percent of their income on rent or housing (15 percent) is no greater than the household average for the state (14 percent) or the combined MSAs (19 percent).

The leading industries in the assessment area include service, retail, and government. All of these industries are experiencing some growth. From 1990 to 1994, overall employment increased by 12 percent in Broward County and 3 percent in Dade County. According to the U.S. Bureau of Census, the volume of new residential homes steadily increased from 6,436 in 1991 to 13,163 in 1995. Dade County experienced similar growth as evidenced by an increase from 7,377 in 1991 to 14,789 in 1995.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Equitable Bank's average loan-to-deposit ratio for the seven quarters since the last examination is 62 percent. The quarterly ratio increased from 60.9 percent on September 30, 1996, to 66.7 percent on December 31, 1996, showing a positive trend. Four local banks with approximately the same deposit size and number of branches have lower loan-to-deposit ratios; however, seven other banks have higher ratios ranging from 64 percent to 74 percent. The bank's ratio is satisfactory considering its positive trend and management's efforts to originate loans in Broward County, where the bank opened a branch in 1994 and relocated its head office during the last quarter of 1996. Also, to stimulate loan demand, management recently added 15- and 30-year residential mortgage loans to the list of bank products.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Lending in Assessment Area

DISTRIBUTION OF LOANS INSIDE/OUTSIDE THE ASSESSMENT AREA

| TYPE OF LOAN | NUMBER OF LOANS IN SAMPLE | PERCENTAGE OF LOANS INSIDE ASSESSMENT AREA | PERCENTAGE OF LOANS OUTSIDE ASSESSMENT AREA | PERCENTAGE OF DOLLAR AMOUNT INSIDE ASSESSMENT AREA | PERCENTAGE OF DOLLAR AMOUNT OUTSIDE ASSESSMENT AREA |
|----------------------|---------------------------|--|---|--|---|
| Consumer loans | 69 | 75% | 25% | 81% | 19% |
| Small business loans | 76 | 79% | 21% | 81% | 19% |

The bank's performance in this category meets the standards for satisfactory performance. The sample of loans used to perform the analysis revealed that 75 percent of consumer loans and 79 percent of small business loans were extended to borrowers and small businesses located inside the bank's assessment area. This analysis also revealed that 81 percent of the total dollar amount of consumer loans and 81 percent of the total dollar amount of business loans were extended within the assessment area. Most loans outside the bank's service area were made in Kendall, West Hialeah, and Hialeah Gardens, which are located in Dade County. These lending activities to borrowers located outside the bank's area were generated through social and business contacts made by three loan officers who reside or formerly worked in these communities. Also, professional business associates of one of the bank's directors referred borrowers residing outside the bank's assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The following table shows the distribution of 52 consumer loans made inside the bank's assessment area by the income level of the borrower. The borrowers' income levels were determined by comparing their income with the median family income of the MSA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Lending to Borrowers of Different Incomes and Businesses of Different Sizes (Continued)

DISTRIBUTION OF CONSUMER LOANS BY BORROWER'S INCOME COMPARED TO THE PERCENTAGE OF FAMILIES IN THE BANK'S ASSESSMENT AREA BY INCOME LEVEL

| INCOME LEVEL | PERCENTAGE OF LOANS BY VOLUME | PERCENTAGE OF LOANS BY DOLLAR AMOUNT | PERCENTAGE OF FAMILIES IN ASSESSMENT AREA BY INCOME LEVEL |
|-----------------|-------------------------------|--------------------------------------|---|
| Low-income | 8% | 4% | 19.7% |
| Moderate-income | 17% | 7% | 18.2% |
| Middle-income | 11% | 3% | 22.2% |
| Upper-income | 64% | 86% | 39.9% |
| Total | 100% | 100% | 100.0% |

As shown in the above table, low-income families make up 19.7 percent of the assessment area's families but received only 8 percent of the consumer loans sampled. Lending to moderate-income borrowers (17 percent) was commensurate with their 18.2 percent representation in the assessment area. Upper-income borrowers, who represent only 39.9 percent of the families, received 64 percent of the loans. Greater disparities are noted in the distribution of total dollar loan amounts by borrower income level. However, these percentages reflect the significant variances in the dollar size of loans received by upper-income versus low-, moderate-, and middle-income borrowers. Overall, the bank meets the standards for satisfactory performance, but should increase efforts to lend to low- and middle-income borrowers.

The small business loans included in the sample were defined as loans to businesses having gross revenues of \$1 million or less the preceding year. The sample included 60 loans to businesses located in the bank's assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Lending to Borrowers of Different Incomes and Businesses of Different Sizes (Continued)

DISTRIBUTION OF SMALL BUSINESS LOANS BY LEVELS OF BUSINESS REVENUE SIZE

| GROSS REVENUES | PERCENTAGE OF LOANS BY LEVEL OF BUSINESS REVENUE SIZE | PERCENTAGE OF DOLLAR AMOUNT OF LOANS BY LEVEL OF BUSINESS REVENUE SIZE |
|--------------------------|---|--|
| \$250,000 to \$1 million | 12% | 55% |
| \$100,000 to \$249,000 | 8% | 17% |
| Less than \$100,000 | 80% | 28% |
| Total | 100% | 100% |

As shown in the above table, a large percentage of the bank's loans to small businesses were to borrowers having annual revenues of less than \$100,000. Because the leading industries in the bank's assessment area are service, retail, and government, the availability of small business loans corresponds to the credit needs of the community.

Geographic Distribution of Loans

DISTRIBUTION OF CONSUMER LOANS BY CENSUS TRACT INCOME LEVELS

| CENSUS TRACT INCOME LEVEL | PERCENTAGE OF POPULATION RESIDING IN CENSUS TRACTS BY INCOME LEVEL | PERCENTAGE OF CONSUMER LOANS |
|---------------------------|--|------------------------------|
| Low-income | 3.1% | 2.0% |
| Moderate-income | 16.9% | 6.0% |
| Middle-income | 56.6% | 48.0% |
| Upper-income | 23.4% | 44.0% |
| Total | 100.0% | 100.0% |

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Geographic Distribution of Loans (Continued)

As shown in the table above, 2 percent of the consumer loans in the sample were made to borrowers residing in low-income census tracts. This percentage is similar to the percentage of the assessment area population (3.1 percent) residing in low-income census tracts; however, outreach weaknesses were evidenced when the percentage of loans originated in moderate-income census tracts (6 percent) was compared to the percentage of the population (16.9 percent) residing in those census tracts. Management recently invited eight professionals representing low- and moderate-income groups to the bank to ascertain the particular types of loans and underwriting criteria that will meet their financing needs. The feasibility of the suggestions made during the meeting is under review. Also, the bank recently offered a new long-term residential lending product. These measures and additional marketing efforts should help increase the bank's lending penetration in moderate-income census tracts and to these borrowers. As noted previously, the bank's record of lending to moderate-income individuals is almost an exact reflection of their representation in the community.

DISTRIBUTION OF BUSINESS LOANS BY CENSUS TRACT INCOME LEVELS

| CENSUS TRACT INCOME LEVEL | PERCENTAGE OF CENSUS TRACTS BY INCOME LEVEL | PERCENTAGE OF BUSINESS LOANS |
|------------------------------|---|------------------------------------|
| Low-income | 5.7% | 7.0% |
| Moderate-income | 18.1% | 8.0% |
| Middle-income | 51.3% | 58.0% |
| Upper-income | 24.9% | 27.0% |
| Total | 100.0% | 100.0% |

The table above shows that the percentage of business loans (7.0 percent) made to businesses located in low-income census tracts exceeded the percentage of low-income census tracts (5.7 percent) in the bank's assessment area. Although 18.1 percent of census tracts are moderate-income, only 8 percent of the loans were made to businesses located in moderate-income census tracts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Geographic Distribution of Loans (Continued)

Management is encouraged to assess this situation and determine if the number of loans in moderate-income areas could be increased. The bank meets the standards for satisfactory performance considering the adequate percentage of consumer and business loans made in low-income areas.

Complaints

No complaints relating to CRA performance have been filed against the bank since the previous examination.

Compliance with Antidiscrimination Laws

No violations of the substantive provisions of the antidiscrimination laws and regulations were noted. Personnel involved in the lending process have sufficient knowledge of fair lending issues and how those issues relate to the credit evaluation process. Written policies and procedures have been formalized by management, and compliance with the fair lending laws and regulations is closely monitored.